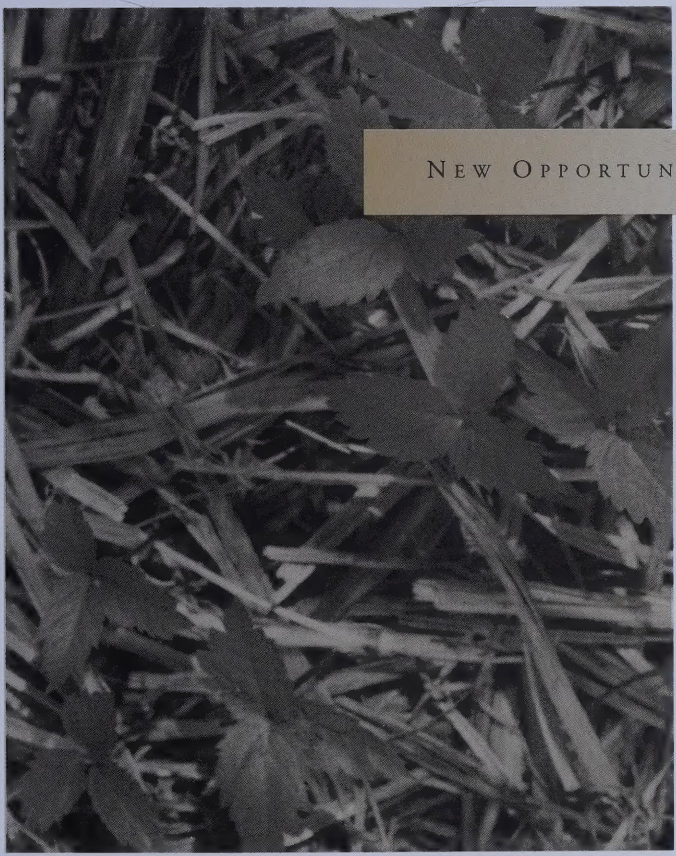
CHAI-NA-TA | *Annual Report* 2000



NEW OPPORTUNITIES FOR GROWTH

Chai-Na-Ta

Chai-Na-Ta Corp., based in Langley, British Columbia, is the world's largest supplier of North American ginseng. The Company farms, processes and distributes North American ginseng as bulk root, and supplies processed extract powder for the manufacture of value-added ginseng-based products.

Table of Contents

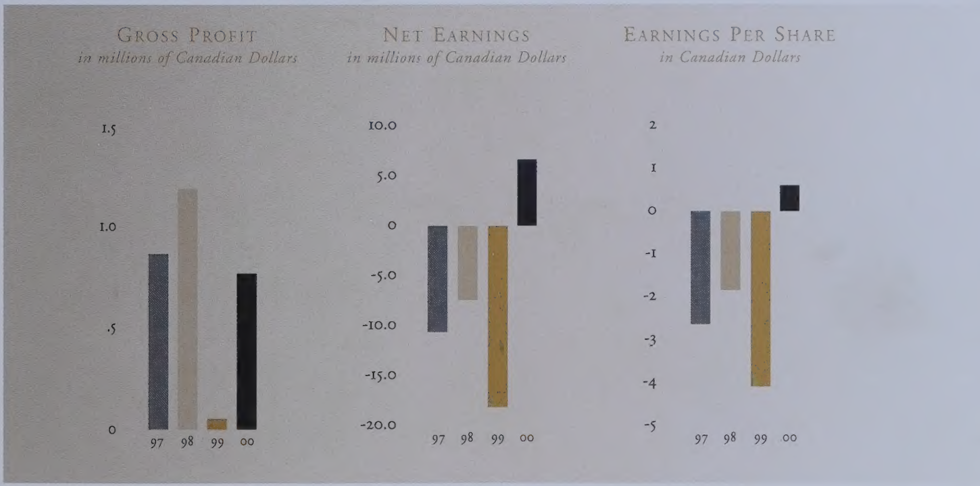
Front Cover: *Ginseng sprouts under cultivation at Chai-Na-Ta Farms.*

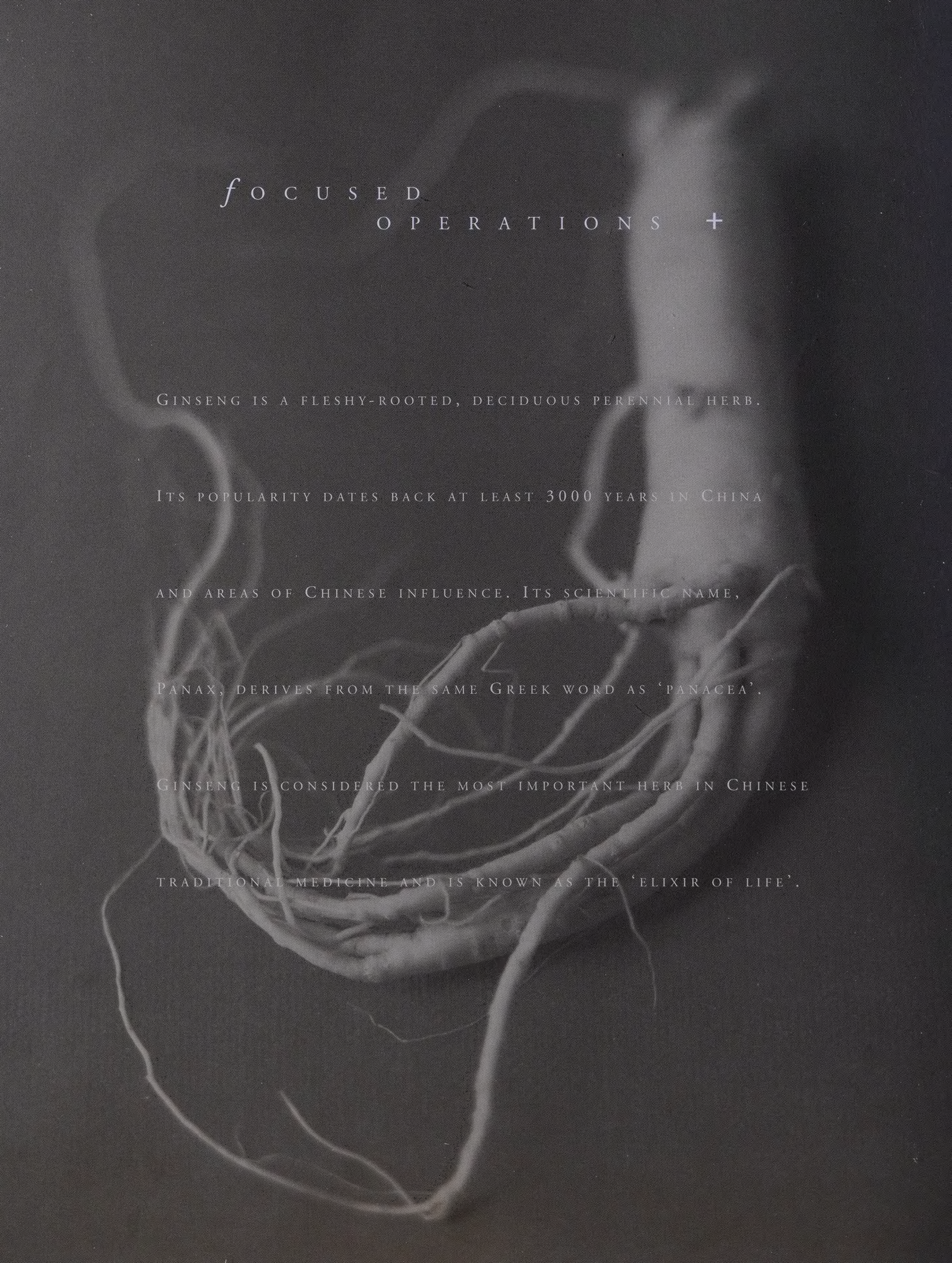
*f*INANCIAL HIGHLIGHTS

FINANCIAL RESULTS *Stated in Thousands of Canadian Dollars*	*Thirteen month period ended Dec. 31* 2000	*Year ended Nov. 30* 1999	*Year ended Nov. 30* 1998
Revenues	$ 12,221	$ 16,204	$ 17,294
Operating (Loss) Income	(4,815)	(17,768)	(6,770)
Pretax (Loss) Earnings	8,312	(21,279)	(10,887)
Net (Loss) Earnings	6,850	(18,152)	(7,417)

FINANCIAL POSITION *Stated in Thousands of Canadian Dollars*			
Working Capital	13,987	(22,448)	21,078
Shareholders' Equity	30,206	3,420	21,232
Total Assets	44,410	46,709	64,610

PER SHARE AMOUNTS *Stated in Canadian Dollars*			
(Loss) Earnings per share – basic	0.65	(4.09)	(1.84)
(Loss) Earnings per share – fully diluted	0.30	(4.09)	(1.84)
Book value per share – basic	2.12	0.68	5.28





*f*ocused operations +

Ginseng is a fleshy-rooted, deciduous perennial herb. Its popularity dates back at least 3000 years in China and areas of Chinese influence. Its scientific name, Panax, derives from the same Greek word as 'panacea'. Ginseng is considered the most important herb in Chinese traditional medicine and is known as the 'elixir of life'.

Two species are prized for the healing properties of their roots: Panax, or Asian ginseng, and Panax quinquefolius, or North American ginseng. North American ginseng is valued for its cooling, soothing qualities, in contrast to the heating qualities of Asian root.

Chai-Na-Ta's farming area consists of about 1,100 acres in British Columbia and 300 acres in Ontario. In fiscal 2000, Chai-Na-Ta produced approximately one million pounds of North American ginseng root – 17% of total industry production. We expect that Chai-Na-Ta's market share will rise to 20% in 2001. Chai-Na-Ta provides excellence in farm to point-of-sale control, managing every step of the process to provide the highest quality ginseng.

As the largest grower, with close to 20 years of farming and plant science experience, Chai-Na-Ta enjoys economies of scale that keep production costs significantly below the industry average. Additionally, Chai-Na-Ta leads the ginseng industry in agricultural research and development.

Vertical Integration

Farming

Brokering

Processing and Grading

manufacturing

Marketing and Distribution

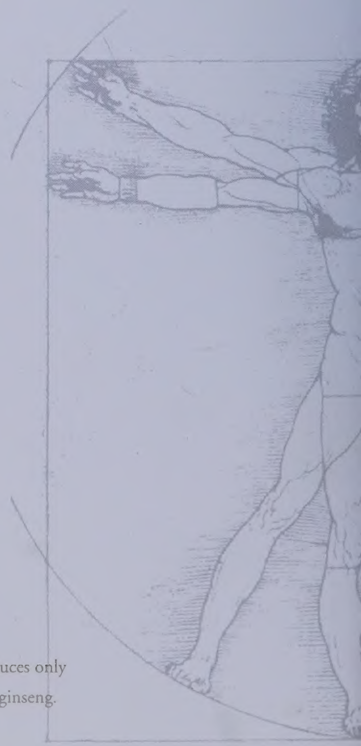
Vertical integration will power Chai-Na-Ta's growth. From the farm gate to retailing, we intend to exploit business opportunities at every level.

Initially, bulk root is graded and priced at one of four quality levels. Grading for retail purposes is more complex and involves 25 grades for the main body of the root and 15 grades for prongs and fibers. Graded main body roots sell for about five times the price of prongs and fibers. Grading, processing and packaging increase bulk ginseng's value and are integral to Chai-Na-Ta's business.

Prongs and fibers contain higher proportions of ginsenosides, which are the source of ginseng's therapeutic properties. They are ideal for use in processed products. Chai-Na-Ta processes prongs and fibers to make ginseng extracts and powders, reserving the main body of the root for sale to traditional markets. This maximizes returns on both high quality whole root and potent source material for value-added processed products.

Comparative Ginseng Characteristics

NORTH AMERICAN Panax quinquefolius L.	ASIAN Panax ginseng C.A. Meyer
BENEFITS	
• Reduces stress/relaxant	• Stimulant
• Regulates blood sugar	• Anti-fatigue
• Strengthens immune function	• Strengthens immune function
• Antioxidant (anti-aging)	• Antioxidant
• Hypotensive	• Protects against radiation and liver toxicity
• Enhances mental activity	• Enhances memory/learning
• Synergizes activity of anti-cancer drugs	• Anti-cancer (red ginseng)
	• Increases stamina
ADVERSE SIDE EFFECTS	
• None known	• Irritability
	• Confusion/dizziness
	• Arrhythmia
	• Hemorrhage
	• Abdominal pain/diarrhea
	• Hypertension
	• Skin hypersensitivity (itching, papules, blisters)
	• Recurrence of diabetes



Chai-Na-Ta produces only North American ginseng.

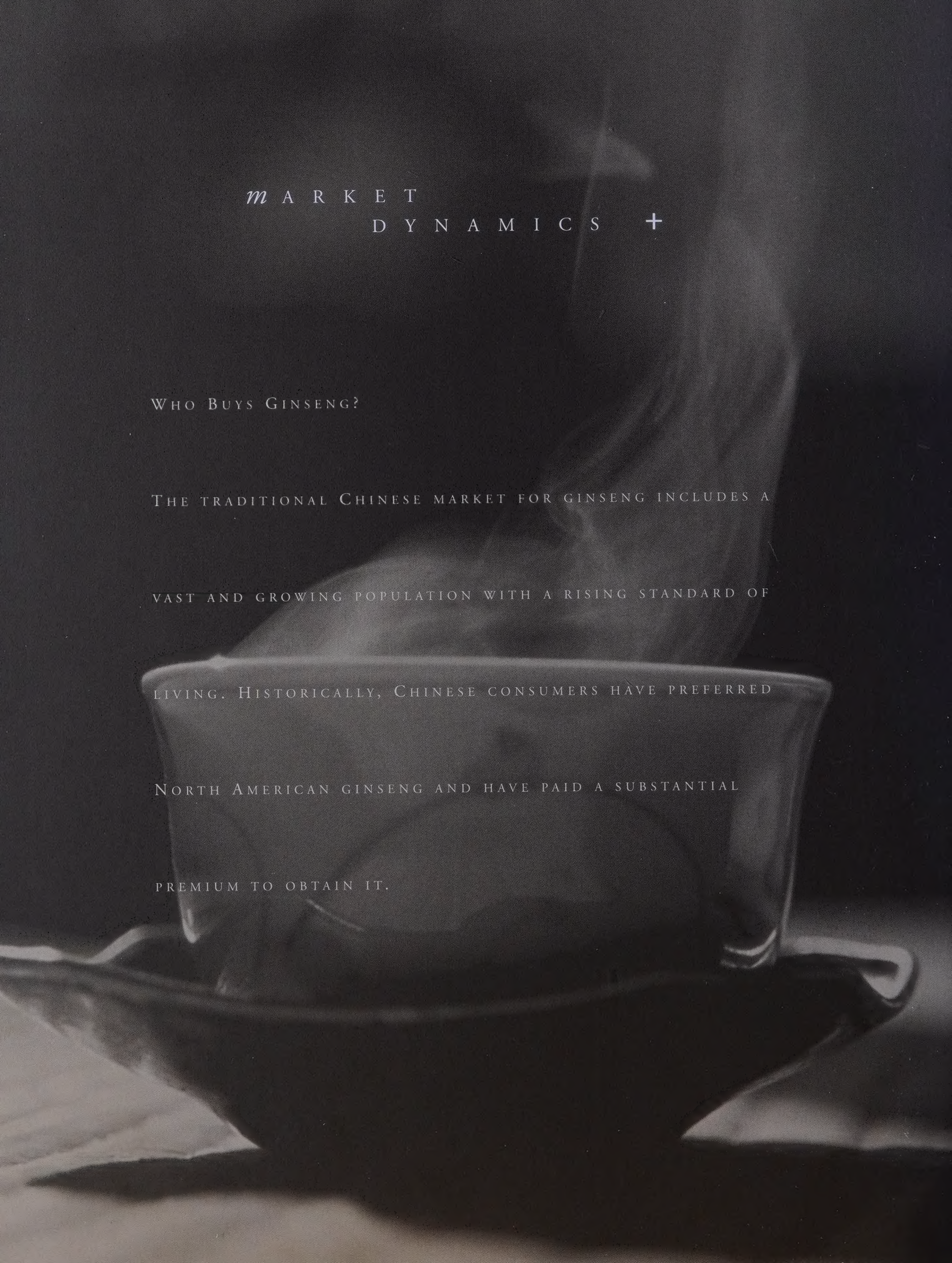
Research and Development

Chai-Na-Ta's research and development program involves an extensive network of respected scientists who research ginseng. Among their findings to date:

- Clinical research is being conducted at St. Michael's Hospital, a major teaching hospital affiliated with the University of Toronto, to evaluate CNT 2000® (standardized North American ginseng extract) in the prevention and treatment of diabetes and cardiovascular disease in humans. Initial research indicated that CNT 2000® has a positive effect in helping to control post-prandial glucose levels in type II diabetic patients; subsequently, the beneficial effect was confirmed in chronic treatment of both type II diabetes and non-diabetics, establishing the potential of CNT 2000® in both treatment and prevention of diabetes. CNT 2000® has also been observed to exert a hypotensive effect, likely applicable in controlling high blood pressure.
- Earlier studies indicated that North American ginseng might provide some protection against breast cancer. However, concerns were expressed by some researchers that North American ginseng may interfere with the activity of anti-cancer drugs. A study at Harvard Medical School evaluated the effects of CNT 2000®, in combination with anti-cancer drugs, on breast cancer cells. The combination of CNT 2000® and the anti-cancer drugs was significantly more effective against the proliferation of breast cancer cells than either the North American ginseng or the anti-cancer drugs alone, demonstrating that CNT 2000® and anti-cancer drugs synergistically inhibit cancer cell growth.
- Studies conducted at the University of British Columbia examining the antioxidant activity of CNT 2000®, using a battery of chemical and biological test methods, show that CNT 2000® exhibits a number of important antioxidant activities. Although many antioxidants have some prooxidant activity, no prooxidative effects were found with CNT 2000®. The antioxidant activity of CNT 2000® was estimated to be roughly twice as great as a similarly prepared extract of Asian ginseng. A two-year follow-up study will begin in early 2001.
- The second phase of a two-year study of the effectiveness of CNT 2000® in combating stress and immune function is underway at the University of Alberta.

Chai-Na-Ta's 51%-owned manufacturing facility in Wuxi, China separates and processes the various grades of root and allocates them for end use. Lower-valued roots and fibers are converted into products such as slices, capsules and teas. Wuxi markets these products in China under the well-known Zhongtian and Dashan brand names.

Product purity is a particularly important issue in North America. In 1998, the Council for Responsible Nutrition – a trade association representing companies in the nutritional supplements and ingredients industry – received an industry task force recommendation that domestic manufacturers should switch from Asian to North American ginseng as their raw material source. This endorsement is positive for Chai-Na-Ta, which offers the purest product on the market.



*m*ARKET DYNAMICS +

Who Buys Ginseng?

The traditional Chinese market for ginseng includes a vast and growing population with a rising standard of living. Historically, Chinese consumers have preferred North American ginseng and have paid a substantial premium to obtain it.

Chai-Na-Ta is strategically positioned to expand its share of the traditional Chinese market, while increasing its sales of more convenient and standardized forms of value-added ginseng – such as teas, capsules and slices.

Asian ginseng has traditionally captured the lion's share of consumption in North America and Europe. But North American ginseng, with its restorative and stress relieving properties, is a better fit for these markets. Asian ginseng tends to heat up the body and provide energy. However, North American ginseng possesses cooling, calming and stress-reducing effects that are likely to be preferred in fast-paced economies such as those of North America and Europe.

We are working toward the launch of CNT 2000®, our unique and contaminant-free North American ginseng powder extract, which should substantially improve Chai-Na-Ta's market penetration and enhance its margins overall.

The Pricing Environment

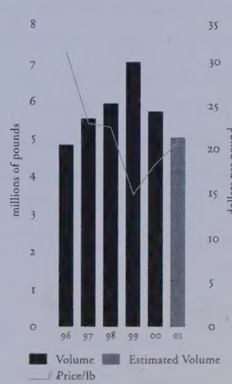
In the early 1990s, ginseng root prices peaked at more than $50 per pound and North American production expanded rapidly. But by late 1999, price erosion precipitated by the Asian economic crisis reduced ginseng root prices to as low as $12 per pound. Meanwhile, many smaller growers discontinued or cut back operations, and production fell. A further issue that has now been diffused was industry concern about Chai-Na-Ta's future, both prior to and during the early periods of our management change and restructuring.

More recently, the outlook has improved. Decreasing supply and economic recovery in Asia are boosting ginseng root wholesale prices, which ranged from $16 to $25 in the latter part of 2000. While this represents a moderate recovery, we expect prices to trend higher over the next few years as Chai-Na-Ta's renewed strength and size stabilize the market.

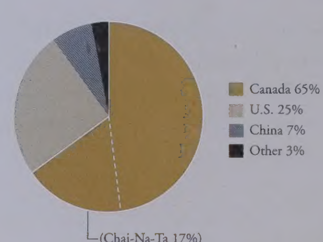
Another factor that should improve the market is the downward trend in production of North American ginseng. During the last several years, fewer acres have been planted. Moreover, unfavorable weather conditions in Ontario and Wisconsin continue to hit growers in these areas and will result in lower crop yields for future production.

Chai-Na-Ta's newly developed and expanded market network should have a positive impact because we are now less dependent on traditional intermediaries and can penetrate Asian markets directly. We expect this to increase our net realized prices and our margins on bulk root sales. Since direct market penetration should also produce lower costs to wholesalers and retailers, we anticipate that it will broaden the base of demand for our products.

INDUSTRY PRODUCTION/AVERAGE PRICE



NORTH AMERICAN GINSENG PRODUCERS – 2000



Letter to Shareholders

William Zen
Chairman and
Chief Executive Officer

For Chai-Na-Ta, fiscal 2000 represented a new beginning for growth – both literally and symbolically. Fundamentally, growth is our business, as we nurture the world's finest North American ginseng crop from seed to harvest. From a business perspective we have reset the stage – and the stakes – for growing Chai-Na-Ta's shareholder value by enhancing its performance.

The basis of this transformation was the mid-year purchase of a majority stake in the Company by a new owner, Road King Infrastructure Limited. This not only ensured Chai-Na-Ta's survival but also provided management, financial and other resources essential to the attainment of its excellent longer-term potential. The advantages of this relationship are addressed in the sidebar on page 9 of this Annual Report.

Even in the short term, the benefits were impressive. Chai-Na-Ta finished fiscal 2000 with an operating loss of $4.8 million compared to a loss of $17.8 million in the prior fiscal year. Unusual items brought net earnings to $0.65 per basic share compared to a loss in fiscal 1999 of $4.09 per basic share.

During 2000, Chai-Na-Ta's fiscal year-end was changed from November 30 to December 31. As a result, this Annual Report reflects the 13-month period from December 1, 1999 to December 31, 2000.

In terms of our financial position, all of the previous creditors substantially wrote down Chai-Na-Ta's outstanding debts in May 2000 and converted part of its debt into common and preferred equity. Road King took up the remaining debt of $10 million. In order to further strengthen the financial health of Chai-Na-Ta, Road King forgave $5 million, while the remaining $5 million was to be repaid with no interest in five years. In addition, in order to further improve the working capital of the Company, a short-term unsecured revolving credit of $5 million was established with a subsidiary of Road King.

Chai-Na-Ta is now a financially sound company. In early 2001, we exercised an early repayment option and retired our debt to Road King through a $2.5 million payment. At the same time, we secured a $5 million operating line from the Royal Bank of Canada.

Looking to the future

With Chai-Na-Ta on firm financial ground, we must look to the future. Road King's active presence provides outstanding synergies in a rising market.

While a downward spiral in root prices has decimated the ranks of North American ginseng growers, the second half of fiscal 2000 saw the beginning of a recovery, with prices rising and expected to trend higher.

+ MANAGEMENT RESOURCES

In May 2000, Herb King International Limited made an equity investment that gave its parent company – Road King Infrastructure Limited – majority ownership of Chai-Na-Ta. Road King is a profitable, Hong Kong-based, publicly traded company. Its core business is the development, operation and management of infrastructure projects. Herb King's focus includes the marketing of traditional Chinese medicine – and offers extensive synergies with Chai-Na-Ta.

For instance, Chai-Na-Ta previously relied on traditional intermediary brokers to sell its ginseng roots to Asian markets. Through vertical integration with Road King's sales and distribution network in China, Chai-Na-Ta is developing direct access to Asian markets. This should result in significantly higher profit margins on ginseng sales.

Road King provides a sound financial foundation for Chai-Na-Ta. Its net profit in 1999 was $114 million, while cash available was $175 million and shareholders' equity was $735 million. In addition, Road King's total investment portfolio was over $800 million at the end of 1999.

Road King is well positioned to soften the impact on Chai-Na-Ta of fluctuations in ginseng prices and to assist the Company across its operations. As the major investor, however, Road King's primary goal is not to support Chai-Na-Ta but to enhance value for its shareholders.

Road King's involvement in Chai-Na-Ta is guided by well-defined criteria for identifying and selecting investment opportunities that offer good returns. This involves a commitment to integrating Road's King's experienced management into Chai-Na-Ta's operations – beginning at the top of the organization. Road King's Chairman, William Zen, also serves as Chairman and Chief Executive Officer of Chai-Na-Ta. In a poll of worldwide institutional investors conducted by *Asiamoney* magazine in 1997, Road King was voted one of Hong Kong's best-managed companies.

We believe that Chai-Na-Ta's average production costs are below industry average. Every $1 increase in root price beyond our breakeven point adds about $1 million in earnings to our operating results.

While farming powered the birth of Chai-Na-Ta, diversification and vertical integration will power the Company's growth. From the farm gate through wholesaling, manufacturing, distribution and retailing, we intend to exploit business opportunities at every level.

Nutraceuticals – the commonly used term for a broad range of dietary supplements from herbal teas to multivitamins that promote and maintain health – will be an important factor in our success. Modern trends toward healthy lifestyles and the use of dietary supplements are propelling an explosion in the nutraceutical market. The U.S. nutraceutical industry is expected to generate more than $45 billion in revenue in 2001, fuelled by sharply rising consumer interest. This trend has the potential to substantially increase worldwide consumption of ginseng.

Chai-Na-Ta has experienced many challenges as a result of the North American ginseng industry crisis and has emerged a much stronger company.

Chai-Na-Ta expects that its leverage in both traditional and value-added markets will enable it to grow from the world's largest producer of North American ginseng to the largest ginseng company in the world. In employing our two major thrusts for growth – farming and value added product development – we will consider acquiring smaller ginseng growers to enhance our market position.

Based on a lack of financial resources, Chai-Na-Ta had pulled away from plans to broaden its product line into higher-margin areas. Moving forward, we intend to vigorously pursue this objective. One indication is our plan to launch CNT 2000®, our unique and contaminant-free North American ginseng powder extract.

Expanding presence

With Road King's distribution support, Chai-Na-Ta plans to expand its presence in Asian countries. At the same time, Chai-Na-Ta has geographic and economic advantages in distributing products in the United States and Canada. Our strategic target involves diverting up to 40% of our harvest to value-added programs – which generate better gross margins than bulk root. Moreover, as the largest producer, our ability to impact supply can affect commodity prices.

China currently consumes about 95% of North American ginseng production. In the longer term, we expect to benefit through higher profit margins from the anticipated lowering of China's import duty for ginseng roots from 40% to 15% and eventually to 7.5%.

Given our strategies and ability to implement them, we anticipate continuing improvement in Chai-Na-Ta's operating results. We recorded a gain on debt forgiveness of more than $13.9 million in fiscal 2000 and this one-time gain will distort our bottom line financial comparisons over the next few years. However, we anticipate results around the breakeven level in fiscal 2001 and a profitable year in 2002.

Chai-Na-Ta has experienced many challenges as a result of the North American ginseng industry crisis and has emerged a much stronger company. Additional research into the benefits of ginseng should further improve public awareness and enhance our business.

Adding all of these factors together, we are confident of our future. The sum of Chai-Na-Ta's focused operations, improving market dynamics, and outstanding management resources is clearly new opportunities for growth.

William Zen
Chairman and Chief Executive Officer

For the thirteen-month period ended December 31, 2000

The following discussion and analysis provides a review of the operating results, financial position and liquidity, risks, and industry trends affecting the financial results of Chai-Na-Ta Corp. Additional comments are provided in relation to changes made to operations since the year-end and the expected financial impact these may have. This commentary should be read in conjunction with the consolidated financial statements and their accompanying notes. Amounts are expressed in Canadian dollars, unless otherwise specified.

Financial Restructuring

On January 28, 2000, the Company filed petitions for relief under the Companies' Creditors Arrangement Act ("CCAA") in order to restructure its financial affairs. Under the CCAA, certain claims against the Company in existence prior to the filing of the petitions for relief were stayed while the Company continued business operations.

Under the financial restructuring plan, unsecured creditors with claims of $1,500 or less were paid in full. Unsecured creditors with claims in excess of $1,500 and up to $25,000 received 10% of their claims in cash. Unsecured creditors with claims in excess of $25,000 received $2,500 in settlement of the first $25,000 of their claims, while 15% of the balance of their claims was converted into equity of the Company at the book value of the Company's common shares at November 30, 1999 ($0.6804 per share). As a result, the Company issued 1,889,337 common shares, which have a one-year hold period from trading.

Road King Infrastructure Limited, a Hong Kong-based publicly listed company, through its subsidiary Herb King International Limited, invested $5 million in equity and received 7,348,618 common shares. Additionally, Road King purchased the positions, with accrued interest, of the Company's two major creditors of term debt. As part of this transaction, Road King received 20,399,149 of the Company's non-voting convertible preferred shares, 1,474,895 common shares and $10 million of term debt. Road King forgave $5 million of the term debt and reduced the interest rate on the remaining $5 million from 10.6% to 0% for a term of five years, with a significant redemption discount for early repayment. The fair market value of the remaining debt was determined to be $2.5 million, resulting in a total debt forgiveness by Road King of $7.5 million. Subsequent to the year-end, the Company exercised an early repayment option and paid $2.5 million in full settlement of the term debt.

As a result, Road King now has 62% ownership of the outstanding common shares of the Company.

Change in fiscal year-end

In 2000 the Company changed its fiscal year-end from November 30 to December 31 to establish a standard January 1 to December 31 fiscal year. As a result, this Annual Report represents the thirteen-month period from December 1, 1999 to December 31, 2000.

Operating results

Revenue decreased by 25% to $12,221,235 as compared to the 12 months ended November 30, 1999. The decrease in revenue was a result of continued difficult industry conditions and depressed market prices. This reflected industry-wide concerns about the Company's future and the discounting of root prices by numerous growers in order to meet their cash flow needs. Farm gate prices for the 1999 harvest were the lowest in history for the North American ginseng industry.

However, the Company's successful restructuring brought greater stability and strength to the industry and to root prices. Accordingly, substantially the entire 2000 harvest has been held back in anticipation of higher root prices in 2001.

Cost of goods sold was 93.8% of sales revenue, compared to 99.7% in 1999. Chai-Na-Ta Farms Ltd., the Company's combined farming operations, produced a harvest of 957,431 pounds of root, a decrease of 12% over the 1999 harvest of 1,083,643 pounds. The Company's operations in British Columbia and Ontario harvested a total of 366 acres with an average yield of 2,612 pounds per acre. This compared to 1999's harvest of 404 acres and an average yield of 2,685 pounds per acre. The decrease in yield per acre reflects unfavorable weather conditions in Ontario in 2000.

Gross margin increased from 0.3% of sales in 1999 to 6.2% in 2000. This was the result of the inventory write-down in 1999 to bring the carrying value of the inventory in line with lower market prices. The Company has been successful in reducing the cost of production in 2000. The Company is currently undertaking additional measures to further reduce production costs.

Selling, general and administrative expenses totaled $4,157,615 for 13 months in 2000, which was 34% of sales. This compares to costs of $4,628,349 for 12 months in 1999, which was 29% of sales, and reflects a decrease of $470,734 due to management's continued efforts to reduce overhead expenses and other operating costs.

Interest and financing charges decreased by $2,947,535 or 93% from 1999 levels, for a total cost of $207,925. This improvement resulted from the early repayment in 2000 of a line of credit and the success of the restructuring plan adopted in May 2000 that eliminated $28 million of term debt and produced $5 million of new working capital.

The Company believes that the inventory write-down of $1,207,501 is sufficient to align the carrying values of certain inventory with its market value and reflects the Company's expectation that this inventory will be sold.

Gain on debt forgiveness is the result of the financial restructuring plan adopted in May 2000. This gain included $15,145,126 from the Company's debt holders and suppliers, less professional and other fees of $1,229,038 incurred during the financial restructuring process.

Other loss of $788,232 represents the provision of $1,013,783 taken against receivables due from co-ventures, the winding up of the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture with a gain of $680,128, the winding up of the President/Chai-Na-Ta Farms Partnership with a loss of $225,455, a foreign exchange gain and other miscellaneous items.

Net earnings for the period were $6,850,529, compared to a net loss in 1999 of $18,152,044. Basic earnings per share was $0.65 compared to basic loss per share of $4.09 in 1999. Fully diluted earnings per share was $0.30 compared to fully diluted loss per share of $4.09 in 1999. There were no warrants issued during the period. All warrants existing at the beginning of the period were retired as part of the restructuring plan adopted in May 2000.

Financial position and liquidity

The total cash used in operations was $4,479,910 compared to a surplus of $2,325,316 in 1999 and a deficit of $3,696,146 in 1998. The Company's net cash balance at December 31, 2000 was $218,656 compared to a net cash deficiency of $4,282,961 on November 30,1999, representing an increase of $4,501,617.

In order to improve the operating working capital of the Company during the harvest and to enhance the Company's flexibility to negotiate loan terms with a local financial institution, a short-term unsecured revolving credit of $5 million was established with a subsidiary of Road King.

The working capital position of the Company at December 31, 2000 was a surplus of $13,986,911 compared to a deficiency of $22,447,977 at November 30, 1999. This improvement came about because the current portion of the long-term debt decreased from $28,442,476 to $533,443 as a result of the debt forgiveness under the financial restructuring plan adopted in May 2000, combined with a $5 million capital injection by Road King.

Current and non-current crop cost expenditures before depreciation totaled $8,982,000, as compared to $10,841,073 in 1999. The decrease was mainly due to reduction of interest and financing charges of $1.8 million as a result of the financial restructuring.

Net capital expenditures totaled $354,035 during the period and were to replace sunshade structures and miscellaneous equipment.

In 2001, the Company is committed to capital projects in China totalling $1,575,777. The Company has committed to purchase land in China for potential future expansion of production facilities. Funding for this commitment will come from the Company's working capital or from other sources of funding.

Outlook

The Company currently has more than 1,300 acres under cultivation and plants over 300 acres annually. This planting strategy ensures the volume of the harvest in forthcoming years. Using effective crop management and agricultural methods, the Company has adopted severe cost-cutting measures to lower production costs. As a result of the previously depressed pricing for ginseng, there is significant financial pressure on all companies in the industry. Some competing companies have filed for bankruptcy or been forced from the industry. The Company believes that this will reduce future production, which will help apply upward pressure on the price of ginseng.

As a result of the financial restructuring, the Company not only secured working capital from Road King, but also benefits from Road King's marketing and distribution network in the Traditional Chinese Medicine market in China. As over 95% of the Company's roots are sold into China, the Company can improve its profit margin and reduce selling and administrative costs by leveraging Road King's existing network and resources to sell ginseng products directly to the local Chinese retail markets.

The Company plans to market its standardized North American ginseng powder extract (CNT 2000®) in the United States and is also working to develop other nutraceutical products. The Company's sponsorship of scientific studies of CNT 2000® at universities is having a positive impact. For instance, clinical studies at the University of Toronto/St. Michael's Hospital, on the use of standardized North American ginseng in treating diabetes, confirmed that standardized North American ginseng plays a positive role in controlling postprandial glucose levels in type II diabetic patients. The results of these studies are expected to increase consumer awareness of the health benefits of North American ginseng and thereby enhance the growth of the Company's business.

The Company anticipates an improvement in its financial position in the next two years because of increasing bulk root prices and the marketing of its standardized powder extract for the U.S. market. Profit margins for the standardized powder extract products are substantially higher when compared to margins for bulk root sales into the traditional Asian market. As ginseng is an agricultural product, the

level of ginsenosides required to produce standardized powder extract products varies from root to root. On average, each pound of standardized powder extract produced reduces by up to three pounds the quantity of North American ginseng bulk root available for the traditional Asian market. Accordingly, the anticipated ramp up of standardized powder extract sales should further reduce the bulk root supply and create upward pressure on farm gate prices.

Risks and uncertainties

The Company is subject to a number of business and financial risks, including: agricultural risks such as weather and disease; commodity price risk for ginseng bulk root; exchange risk (predominantly U.S. dollar related since the root is sold in that currency); political risk; interest rate risk; credit risk; and future financing needs.

The largest impact on future earnings and cash flow will come from changes in root prices. North American ginseng root prices were at their lowest level ever in 1999 and in the first half of 2000 but ranged considerably higher in the final months of 2000. We expect improvement over the next two years as the amount of root harvested falls, due to decreased plantings by fewer ginseng growers. The Company's ability to expand the level of vertical integration in its operations and direct bulk root into its value-added and powder markets will decrease the amount of root available for the traditional markets, which will help increase pricing.

Root price may be affected by factors such as size, shape, color, taste and quality of the harvest. Ginseng farming may also be subject to other typical agricultural risks such as low yields, poor crop quality, and crop failure. In order to minimize these risks, the Company employs an extensive team of plant scientists, diversifies its farms to multiple sites within British Columbia and Ontario, and practices a variety of crop risk management techniques to protect against disease, drought and pests.

The Company is exposed to credit risk on accounts receivable from customers. A majority of the Company's sales are made to a small number of customers that are concentrated in Asian markets. In order to manage its credit risk, the Company carefully monitors credit terms, investigates credit history and grants credit only to customers with established relationships or an acceptable credit rating. Letters of credit may be used, or inventory may be held as security until payment is received when such relationships have not been established.

In order to fund the financial requirements of the Company, including capital for debt retirement and expansion, additional outside sources may be required. The amount of such funding depends on the future profitability of the Company, as well as the pricing of its products in world markets and the scope of its future expansion. Future funding may require issues of additional debt or equity; however, there can be no assurance that capital markets will be conducive to such financing.

As a cautionary note, some of the statements made in this MD&A and throughout this Annual Report are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives, or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements, by reason of factors such as future changes in root prices.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Chai-Na-Ta Corp. is responsible for the preparation and integrity of the financial statements of the Company. The financial statements have been prepared in accordance with generally accepted accounting principles using management's estimates and judgements when necessary. The financial information contained elsewhere in this Annual Report is consistent with that in the consolidated balance sheets, consolidated statements of operations, (deficit) retained earnings, cash flows and crop costs.

Chai-Na-Ta Corp. maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of maintaining our system of internal accounting controls should not exceed the benefits to be derived from the system. The system is supported by written policies and guidelines, and is continuously reviewed.

Deloitte & Touche LLP, independent auditors, are retained to audit Chai-Na-Ta Corp.'s financial statements. Their audit is conducted in accordance with Canadian generally accepted auditing standards and provides an independent assessment that helps assure fair representation of the Company's financial statements. Their opinion on the financial statements is published separately in this Annual Report.

The Board of Directors, through its Audit Committee, exercises an oversight role in the Company's financial affairs and statements. The Committee meets with management and the independent auditors as required. These meetings include discussions of internal accounting control and the quality of management and financial reporting. Both the Finance and Administration department of the Company and the independent auditors have full and free access to the Audit Committee.

William Zen
Chairman and Chief Executive Officer

AUDITORS' REPORT

To the Shareholders of Chai-Na-Ta Corp.

We have audited the consolidated balance sheets of Chai-Na-Ta Corp. as at December 31, 2000 and November 30, 1999 and the consolidated statements of operations, (deficit) retained earnings, cash flows and crop costs for the thirteen months ended December 31, 2000 and for each of the years in the two-year period ended November 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and November 30, 1999 and the results of its operations, its cash flows and its crop costs for the thirteen months ended December 31, 2000 and for each of the years in the two-year period ended November 30, 1999 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia
March 3, 2001

CONSOLIDATED BALANCE SHEETS

(Stated in Canadian Dollars)	*As at December 31* 2000	*As at November 30* 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 608,656	$ 633,573
Accounts receivable	688,071	1,972,783
Inventory	11,507,038	11,937,116
Ginseng crops (Note 4)	9,290,369	5,502,779
Prepaid and other assets	1,047,558	225,524
	23,141,692	20,271,775
Investment (Note (3(a))	–	–
Ginseng crops (Note 4)	11,625,652	13,848,279
Capital assets (Note 5)	9,535,140	10,559,296
Other assets (Note 6)	107,760	2,030,412
	$ 44,410,244	$ 46,709,762
LIABILITIES		
Current liabilities		
Line of credit (Note 7)	$ 390,000	$ 4,916,534
Short-term borrowing (Note 8)	5,910,020	293,340
Accounts payable and accrued liabilities	2,321,318	9,067,402
Current portion of long-term debt (Note 9)	533,443	28,442,476
	9,154,781	42,719,752
Long-term debt (Note 9)	3,153,499	–
Deferred gain (Note (10(a))	433,836	–
Capital due to co-venturer (Note (10(b))	–	570,000
Future income taxes (Note 13)	1,462,000	–
	14,204,116	43,289,752
SHAREHOLDERS' EQUITY		
Share capital (Notes 11 and 12)	38,200,398	18,035,312
Equity component of convertible debt and warrants (Note 12(b))	–	1,062,069
Cumulative translation adjustments	(220,068)	9,429
Deficit	(7,774,202)	(15,686,800)
	30,206,128	3,420,010
	$ 44,410,244	$ 46,709,762

Approved by the Board

William Zen
Director

Anita Wong
Director

CONSOLIDATED STATEMENTS OF (DEFICIT) RETAINED EARNINGS

(Stated in Canadian Dollars)	*Thirteen month period ended December 31* 2000	*Year ended November 30* 1999	*Year ended November 30* 1998
Balance, beginning of period	$ (15,686,800)	$ 2,465,244	$ 9,528,191
Expiration of equity component of convertible debt and warrants (Note 9(a) and (b))	1,062,069	–	354,023
Net earnings (loss)	6,850,529	(18,152,044)	(7,416,970)
Balance, end of period	$ (7,774,202)	$ (15,686,800)	$ 2,465,244

CONSOLIDATED STATEMENTS OF OPERATIONS

(Stated in Canadian Dollars)	*Thirteen month period ended December 31* 2000	*Year ended November 30* 1999	*Year ended November 30* 1998
Revenue	$ 12,221,235	$ 16,204,278	$ 17,294,375
Cost of goods sold	11,463,521	16,153,852	16,119,501
	757,714	50,426	1,174,874
Selling, general and administrative expenses	4,157,615	4,628,349	5,862,734
Bad debts	–	131,903	432,112
Interest and financing charges	207,925	3,155,460	1,650,001
Writedown of inventory and crop costs	1,207,501	9,902,734	–
	5,573,041	17,818,446	7,944,847
Operating loss	(4,815,327)	(17,768,020)	(6,769,973)
Write-down of investment in Dalian Pegasus Ginseng Pharmaceutical Co. Ltd. (Note 3(a))	–	(3,372,413)	(3,372,413)
Gain on debt forgiveness (Note 1)	13,916,088	–	–
Other income (loss) (Note 14)	(788,232)	(138,392)	(818,592)
Non-controlling interests	–	–	74,008
Income (loss) before income taxes	8,312,529	(21,278,825)	(10,886,970)
Provision for (recovery of) income taxes (Note 13)	1,462,000	(3,126,781)	(3,470,000)
NET EARNINGS (LOSS)	$ 6,850,529	$ (18,152,044)	$ (7,416,970)
Basic earnings (loss) per share	$ 0.65	$ (4.09)	$ (1.84)
Weighted average number of shares used to calculate basic earnings (loss) per share	10,611,211	4,440,303	4,021,553
Fully diluted earnings (loss) per share	$ 0.30	$ (4.09)	$ (1.84)
Weighted average number of shares used to calculate fully diluted earnings (loss) per share	22,943,190	4,440,303	4,021,553

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)	*Thirteen month period ended December 31* 2000	*Year ended November 30* 1999	*Year ended November 30* 1998
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING ACTIVITIES			
Net earnings (loss) after items not affecting cash (Note 17(a))	$ 5,144,078	$ (843,793)	$ 8,810,910
Changes in non-cash operating assets and liabilities (Note 17(b))	(3,185,863)	11,455,039	(5,692,615)
Change in non-current cash crop costs	(6,438,125)	(8,285,930)	(6,814,441)
	(4,479,910)	2,325,316	(3,696,146)
FINANCING ACTIVITIES			
Line of credit	(4,526,534)	316,451	3,592,373
Short-term borrowing	5,616,680	(7,420)	4,165
Issuance of shares for cash	5,000,000	–	–
Issuance (repayment) of long-term debt, net	(286,185)	(660,070)	(1,282,053)
Joint venture capital returned to co-venturer	–	(367,500)	(187,500)
	5,803,961	(718,539)	2,126,985
INVESTING ACTIVITIES			
Investments	–	–	(407,642)
Purchase of capital assets, net	(354,035)	(152,817)	(338,589)
Increase in other assets	(765,436)	(1,415,736)	(341,306)
Deferred translation gain (loss)	(229,497)	(473,645)	290,615
	(1,348,968)	(2,042,198)	(796,922)
NET CASH OUTFLOW	(24,917)	(435,421)	(2,366,083)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	633,573	1,068,994	3,435,077
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 608,656	$ 633,573	$ 1,068,994

Supplementary information (Note 17(c) and (d))

CONSOLIDATED STATEMENTS OF CROP COSTS

(Stated in Canadian Dollars)	Thirteen month period ended December 31 2000	Year ended November 30 1999	Year ended November 30 1998
Depreciation	$ 2,086,209	$ 1,883,563	$ 1,913,045
Farm equipment operating costs	634,913	217,434	542,627
Interest and financing charges	281,343	2,080,074	2,183,637
Land rental	977,444	824,621	810,557
Mulch and fertilizer	2,182,017	1,705,784	2,222,112
Other	156,059	249,542	246,420
Plant science	24,441	37,826	25,985
Salaries and wages	3,853,090	4,522,916	4,217,964
Seed	421,698	891,074	1,178,680
Small tools and supplies	94,810	150,867	70,292
Warehouse and dryer operations	356,185	160,935	247,733
	11,068,209	12,724,636	13,659,052
Balance, beginning of period	19,351,058	25,280,003	27,144,552
	30,419,267	38,004,639	40,803,604
Add:			
Assumption of crops of joint venture	1,715,339	–	–
	32,134,606	38,004,639	40,803,604
Less:			
Cost of crop and seed harvested during the period	11,218,585	15,028,095	15,523,601
Balance, end of period	20,916,021	22,976,544	25,280,003
Less: write-down of current portion	–	3,625,486	–
Less: current portion, net of write-down	9,290,369	5,502,779	10,318,142
	$ 11,625,652	$ 13,848,279	$ 14,961,861

(Stated in Canadian Dollars)
For the thirteen-month period ended December 31, 2000, and the years ended November 30, 1999 and 1998.

1. Financial restructuring

On January 28, 2000, the Company filed petitions for relief under the Companies' Creditors Arrangement Act ("CCAA") in order to restructure its financial affairs. Under the CCAA, certain claims against the Company in existence prior to the filing of the petitions for relief were stayed while the Company continued business operations.

On March 17, 2000, the Company filed a formal Plan of Arrangement and Compromise (the "Plan") with the Supreme Court of the Province of British Columbia. The Plan provided unsecured creditors with claims of less than $1,500 with payment in full. Unsecured creditors with claims in excess of $1,500 and up to $25,000 received 10% of their claim in cash. Unsecured creditors with claims in excess of $25,000 received $2,500 in settlement of the first $25,000 of their claim, and 15% of the balance of their claim was converted into equity of the Company at the book value of the Company's common shares at November 30, 1999 ($0.6804 per share). Any remaining balances of the claims were extinguished. Claims of secured creditors were satisfied in full by conversion into preferred shares of the Company as agreed by both parties. The conversion price was also the book value of the Company's common shares at November 30, 1999. The closing date for accepting any claims of creditors was May 9, 2000. The implementation date of the Plan was May 26, 2000, after which the Company was released from all claims, liabilities and obligations to all Creditors and Post-Filing Creditors in respect of all claims and post filing claims.

As a result of the implementation of the Plan, the Company issued 1,889,337 common shares at a total value of $1,285,505, 20,399,149 preference shares at a total value of $13,879,581 and incurred gains on debt forgiveness of $7,645,126 and restructuring costs of $1,229,038. As part of the financial restructuring, Road King Infrastructure Limited ("Road King"), a Hong Kong-based publicly traded company, through its subsidiary Herb King International Limited, acquired 7,348,618 common shares for $5,000,000 in cash. Additionally, Road King purchased the positions of the Company's two major creditors and received 1,474,895 common shares and 20,399,149 preferred shares. Road King also forgave an additional $5,000,000 of term debt and reduced the interest rate on the remaining $5,000,000 term debt from 10.6% to 0%. The fair market value of the remaining term debt was determined to be $2,500,000, resulting in a total debt forgiveness by Road King of $7,500,000.

Liabilities settled:	
Long-term debt	$17,528,806
Accounts payable and accrued liabilities	5,434,793
	22,963,599
Less:	
Cash paid to creditors	153,387
Issuance of 1,889,337 common shares to creditors	1,285,505
Issuance of 20,399,149 preferred shares to creditors	13,879,581
	7,645,126
Long-term debt forgiven by Road King	7,500,000
	15,145,126
Less restructuring costs	1,229,038
Gain on debt forgiveness	$13,916,088

2. Significant accounting policies

These consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Description of business

The Company operates North American ginseng farms in Canada, on which ginseng root is planted, cultivated and harvested. Through its subsidiaries, the Company operates ginseng processing and marketing facilities in Hong Kong and China.

(b) Change of year-end

During the thirteen-month period ended December 31, 2000, the Company changed its fiscal year-end from November 30 to December 31 to coincide with the calendar year. Accordingly, the December 31, 2000 financial statements cover a thirteen-month period.

(c) Basis of presentation

These consolidated financial statements include the accounts of the Company and those of its subsidiaries and joint ventures. All significant intercompany transactions and balances have been eliminated.

At December 31, 2000, the Company's effective ownership interests in these companies were as follows:

Subsidiaries	
Chai-Na-Ta Farms Ltd.	100%
Chai-Na-Ta International Ltd.	100%
Chai-Na-Ta (Asia) Ltd.	100%
North American Ginseng Enterprises Limited	100%
CNT Wellness Pharmaceutical Ltd.	100%
CNT Nominees Ltd.	100%
CNT International Wellness Pharmaceutical Ltd.	100%
CNT Wellness (Wuxi) Healthfood Ltd.	100%
CNT Trading (Asia) Limited	100%
CNT Trading (Hong Kong) Limited	100%
Unique Formulations, Inc.	100%

Joint Ventures and Partnerships (consolidated on a proportionate basis)	
Wuxi Zhongjia Phytopharmaceuticals Co. Ltd. (formerly Wuxi Zhong Jia American Ginseng Natural Tonics Co. Ltd.)	51%

(d) Revenue recognition

Revenue is recognized when title has been transferred or ginseng products have been delivered to customers, provided that at the time of the sale collection is reasonably assured.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

(f) Inventory

Inventory is valued at the lower of average cost and net realizable value.

(g) Investments

The Company accounts for those investments in which it has no significant influence using the cost method. For those investments in which the Company has significant influence the equity method is used, whereby the Company's share of net earnings is included in earnings for the year and the Company's investment therein is adjusted accordingly. Provisions are made for any impairments in value which are determined to be other than temporary.

(h) Ginseng crops

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seed, labour, applicable overhead, interest and supplies. Common costs are allocated each year based on the total number of acres under cultivation during the year. The carrying value of ginseng crops is reviewed on a regular basis for any impairment in value.

Those crop costs relating to the acreage harvested and sold have been charged to cost of sales.

(i) Capital assets and depreciation

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the following periods:

Buildings	20 years
Computer equipment and software	4 years
Furniture and fixtures	10 years
Leasehold improvements	10 years
Machinery and equipment	10 years
Sunshade	10 years
Vehicles	8 years
Pavement	12.5 years

The carrying value of capital assets is reviewed on a regular basis for any impairment in value. To date, no such impairment has been indicated.

(j) Deferred financing costs

Deferred financing costs are amortized on a straight-line basis over the term of the related debt and are included in interest and financing charges for the year.

(k) Research and development

Research costs are expensed as incurred. Development costs which meet generally accepted criteria, including reasonable assurance regarding future benefits, are capitalized.

(l) Stock-based compensation plans

The Company has a stock-based compensation plan, which is described in Note 12 (a). No compensation expense is recognized for the plan when stock or stock options are issued to officers, directors, and employees. Any consideration paid by officers, directors and employees on exercise of stock options or purchase of stock is credited to share capital.

(m) Foreign currency translation

Financial statements of the Company's self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Adjustments arising from this translation are deferred and recorded as Cumulative Translation Adjustments under the Shareholders' Equity section of the balance sheet and are included in income only to the extent of any reduction in the investment in these foreign operations that is realized.

(n) Financial instruments

Financial instruments of the Company are represented by cash and cash equivalents, accounts receivable, line of credit, short-term borrowings, accounts payable and accrued liabilities and long-term debt. The carrying value of these instruments other than those discussed below, approximate fair value due to their immediate or short-term liquidity.

The Company estimates the fair value of its financial instruments comprising its interest-bearing debentures and convertible loans (Note 18(c)) at the higher of their respective liquidation values or converted values based upon the quoted market price of the Company's common shares. The Company estimates the fair value of its non-interest bearing term debt using discounted cash flows assuming a borrowing rate equal to the Bank of Canada rate plus 2%.

(o) Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates are used for, but not limited to accounting for doubtful accounts, realizable value of assets, taxes and contingencies. Actual results could differ from those estimates.

(p) Income taxes

The Company adopted the new recommendations of the Canadian Institute of Chartered Accountants concerning the accounting for income taxes on January 1, 2000 and applied the new accounting policy retroactively. The retroactive application of this new policy had no effect on the previously reported financial position or results of operations.

The adoption of the new standards changes the Company's focus when accounting for income taxes from a statement of earnings to a balance sheet approach. The new standards require the recognition of future income taxes for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. These new standards also require the Company to compute future income taxes using the enacted corporate income tax rates in effect each period.

(q) Earnings (Loss) per share

Earnings (Loss) per share is calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings (loss) per share is calculated based on basic earnings (loss) per share adjusted for the effect of the potential exercising of warrants, convertible debt, convertible preference shares and options.

3. Investments

(a) Dalian Pegasus Ginseng Pharmaceutical Co., Ltd.

The Company's investment in Dalian Pegasus Ginseng Pharmaceutical Co., Ltd. ("Dalian") was accounted for using the cost method.

During 1998, the Company made a provision of $3,372,413 in respect of the impairment in value which, based on management's best estimates, was determined to be other than temporary. During 1999, the Company wrote off the remaining carrying value of the investment of $3,372,413.

(b) Unique Formulations, Inc.

During 1999, the Company increased its ownership from a 90% to 100% interest in Unique Formulations Inc. in exchange for $5,000 United States dollars (USD).

During 1999, the Company wrote off the remaining goodwill of $280,951. The write-off was based on management's estimate that the impairment in value is not temporary.

(c) Chai-Na-Ta (Asia) Ltd.

During 2000, the Company increased its ownership from a 90.4% to a 100% interest in Chai-Na-Ta (Asia) Ltd. in exchange for $15,240. As a result, the Company's interest in North American Ginseng Enterprises Ltd. and Wuxi Zhongjia Phytopharmaceuticals Co. Ltd. increased from 90.4% to 100% and from 46.1% to 51% respectively.

4. Ginseng Crops

Ginseng plants reach maturity and can be harvested at the end of their third year of growth. However, the Company may allow crops to mature longer to allow for higher yields and additional

seed harvests. Costs accumulated relating to the expected harvest in the next year have been classified as current assets. At present, total acreage under cultivation and management is 1,343 acres. A breakdown of those acres by year planted is as follows:

Year planted	Number of acres
1997	283
1998	413
1999	358
2000	289
	1,343

5. Capital Assets

	2000		1999	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 598,515	$ –	$ 598,515	$ –
Buildings	2,675,913	904,465	2,649,669	760,317
Computer equipment and software	470,385	441,380	465,472	381,654
Furniture and fixtures	398,222	305,608	390,868	266,050
Leasehold improvements	595,721	440,196	589,159	365,137
Machinery and equipment	5,839,201	3,747,891	5,671,334	3,310,085
Sunshade	13,797,520	9,140,778	13,244,510	8,118,545
Vehicles	452,046	327,716	464,939	313,382
Pavement	15,970	319	–	–
	$ 24,843,493	$ 15,308,353	$ 24,074,466	$ 13,515,170
Cost less accumulated depreciation	$9,535,140		$10,559,296	

6. Other Assets

	2000	1999
Deferred financing costs, net of amortization	$ –	$ 481,679
Deferred development costs	107,760	–
Due from joint venture (Note 10)	–	1,509,011
Advances	–	39,722
	$107,760	$2,030,412

7. Line of Credit

The Company had available a $5,000,000 revolving line of credit with a Canadian chartered bank that bears interest at bank prime rate plus 0.8% per annum secured by a first charge over certain assets of the Company. Borrowings of $390,000 (1999 - $4,916,534) against this line of credit were outstanding at December 31, 2000 and are repayable in full on April 30, 2001, subject to annual reviews. In addition, the Company is contingently liable under letters of credit totalling $260,000.

8. Short-term Borrowing

		2000	1999
Loan from related company	(a)	$ 5,619,321	$ –
Loan from Chinese bank	(b)	290,699	293,340
		$5,910,020	$ 293,340

(a) Loan from related company

The loan from a fellow subsidiary is unsecured and bears interest at prime plus 2.5% per annum. The loan is due March 12, 2001.

(b) Loan from Chinese bank

The loan from a Chinese bank bears interest at the U.S. currency floating prime rate of the Chinese government. The loan is renewed annually and is guaranteed by Wuxi Processed Chinese Herbal Medicine Factory, a co-venturer in Wuxi Zhongjia Phytopharmaceuticals Co. Ltd.

9. Long-term Debt

		2000	1999
Convertible loan	(a)	$ –	$ 6,398,844
Debentures and notes payable	(b)	2,630,000	21,798,547
Mortgage payable	(c)	868,590	–
Capital leases	(d)	188,352	245,085
		3,686,942	28,442,476
Less: current portion		533,443	28,442,476
		$ 3,153,499	$ –

At November 30, 1999, the entire amount of the debt principal outstanding was classified as a current liability as a result of the matters discussed in Note 1.

(a) Convertible loan

During 1993, Chai-Na-Ta (Asia) Ltd. (CNTA) obtained a $6,089,670 USD unsecured loan. On November 3, 1998, the

loan agreement was amended and the maturity date extended to October 16, 2001. The balance outstanding at November 30, 1999 was US$4,339,670 and bore interest at 8% per annum.

In connection with the amended loan agreement, the Company has issued 96,000 warrants that were to expire on October 16, 2001.

In 2000, as part of the restructuring plan (Note 1), the entire loan was satisfied and the warrants that were due to expire on October 16, 2001 were retired.

(b) Debentures and notes payable

(i) During 1995, through a private placement, the Company issued two $500,000 USD 1995 "Series A" convertible debentures that had a maturity of June 12, 2000. The debentures bore interest at 8.5% and interest was payable semi-annually in arrears on June 30 and December 31.

Each "Series A" debenture was convertible into common shares of the Company at $10.64 USD at the option of the holder.

The Company incurred financing costs of $144,999 on issuance of these convertible debentures of which $144,999 has been amortized to date (1999 – $130,493).

In 2000, as part of the restructuring plan (Note 1), all debentures were satisfied.

(ii) Upon the acquisition of the controlling interest of Unique Formulations, Inc., the Company assumed a $50,000 USD unsecured note payable. The note bears interest at bank prime rate plus 3/4%. During 1999, the Company settled the note payable with the minority shareholders for $5,000 USD.

(iii) During 1996, the Company issued $20 million in senior secured notes that mature in equal amounts on June 30, 1999, June 30, 2000, and June 18, 2001. The notes are secured by a charge over certain assets of the Company.

In addition, the Company issued transferable "F" series share purchase warrants entitling the holders to purchase 310,019 common shares of the Company at a price of $12.80 each until June 18, 2001 (Note 12(b)). Consideration of $1,062,069, net of allocated issue costs, was recorded as Equity Component of Convertible Debt and Warrants in Shareholders' Equity and represented a discount on the notes.

The Company incurred financing costs of $1,539,030 on issuance of these notes of which $1,539,030 has been amortized to date (1999 - $1,107,624).

Effective November 17, 1998, the agreement was amended providing for interest at 18% per annum and the entire unpaid balance to be repayable on June 18, 2001. Interest on unpaid interest was to accrue at 12.6% per annum.

The June 30, 1999 interest payment was not made by the Company. On July 7, 1999, $814,050 of the interest owed relating to the June 30, 1999 payment was paid by the issue of 1,005,000 common shares (Note 11).

In addition, 281,862 transferable "F" series share purchase warrants exercisable at $12.80 each were replaced on a one for one basis by "F4 and F5" series share purchase warrants exercisable at $3.50 each until June 18, 2001 (Note 12(b)).

In 2000, as part of the financial restructuring plan (Note 1), $10,000,000 plus accrued interest of $3,879,581 was converted into 20,399,149 preferred shares of the Company (Note 11). Additionally, $5,000,000 of the remaining principal balance was forgiven and interest on the remaining $5,000,000 was reduced to 0% per annum. The fair market value of the remaining debt was determined to be $2,500,000. The share purchase warrants were retired.

Subsequent to the year-end, the Company repaid the balance outstanding on this note.

(iv) During 1997, the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture issued a $491,195 unsecured note payable that matured on August 1, 2000. The note bore interest at 10% and interest was payable monthly.

(v) As part of the agreement to assume the assets and liabilities of the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture (Note 10), the Company agreed to pay the co-venturer $280,000. At December 31, 2000, $130,000 was outstanding, of which $65,000 is due November 1, 2001 and $65,000 is due on November 1, 2002. The co-venturer has been granted a security interest in an undivided one half interest in all crops grown on the leased lands of the former joint venture, plus mortgages and charges on an undivided one half interest in the lease, and a first charge on land owned by the Company.

(c) Mortgage payable

As part of the agreement to assume the assets and liabilities of the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture (Note 10), the Company assumed a mortgage payable due to Peace Hills Trust Company. As at December 31, 2000, $868,590 remained outstanding. The mortgage is repayable in monthly installments of $8,932 and bears interest at 7% per annum. Additional principal payments of $300,000 are due on February 28, 2001 and 2002. Security is provided by an undivided one half interest in all crops grown on the leased lands of the former joint venture, plus mortgages and charges on an undivided one half interest in the lease, and a letter of guarantee from the Company in the amount of $260,000.

(d) Capital leases

The Company has entered into capital leases which expire in 2001 and 2003. The capital leases bear interest at an approximate rate of 7.5%. The leased capital assets have been recorded as machinery and equipment and are amortized on a straight-line basis over 10 years.

	2000	1999
Cost	$614,106	$488,560
Accumulated amortization	$ 229,511	$ 126,112

Principal and interest payments are due as follows:

2001	$ 110,390
2002	98,135
2003	6,604
Total minimum lease payments	215,129
Less: amounts representing interest	(26,777)
Present value of net minimum lease payments	188,352
Less: current portion	99,968
	$ 88,384

10. Joint Ventures

(a) China

The Company conducts a significant portion of its grading and distribution activities through its joint venture Wuxi Zhongjia Phytopharmaceuticals Co. Ltd. in China. During 2000, the joint venture assumed a marketing division of the Company and its accumulated losses. The Company's proportionate interest in this transfer was shown as Deferred Gain in the balance sheet and it will realize the deferred gain when cash distributions are made from the project.

(b) Canada

During 1995, the Company entered into two joint ventures that operate North American ginseng farms in British Columbia, Canada. Through these joint ventures the Company plants, cultivates and harvests ginseng root.

The Company's proportionate interest in capital contributed by the co-venturer in the President/Chai-Na-Ta Farms Partnership was shown as Capital Due to Co-Venturer. This amount was reduced as capital distributions were made. During December 1999, the Company concluded its joint venture in the President/Chai-Na-Ta Farms Partnership.

The Company's proportionate interest in capital contributed by the co-venturer in the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture was shown as a Deferred Gain on the balance sheet. During February 2000, the Company served a notice of intent to exercise its General Security Agreement over the assets in the Skeetchetsn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture. In 1999, the Company made the following provision against the assets of the joint venture consolidated in these statements, which is included on the balance sheet in accounts payable and accrued liabilities. In addition, the deferred gain was also written off.

	2000	1999
Accounts receivable	$ –	$ 162,917
Ginseng crops	–	426,511
Other assets	–	1,509,011
Accounts payable and accrued liabilities	–	(401,456)
Current portion of term debt	–	(513,431)
Provision for impairment of joint venture	$ –	$ 1,183,552

The provision for impairment of joint venture is included in other loss in the statements of operations.

During 2000, the Company assumed the assets and liabilities of the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture in its subsidiary Chai-Na-Ta Farms Ltd. The joint venture members released each other from all claims relating to the joint venture.

(c) Summary

The following is a summary of the Company's proportionate share of the financial statement amounts of these joint ventures:

	2000	1999	1998
Balance Sheet			
Current assets	$ 953,120	$ 1,441,376	$ 2,328,332
Long-term assets	112,679	2,749,975	2,136,061
Current liabilities	934,430	794,978	909,248
Long-term liabilities	–	1,757,440	2,267,052
Statement of Operations			
Revenue	$1,648,960	$ 1,897,450	$ 979,899
Expenses	1,756,242	2,568,437	1,095,426
Net loss	(107,282)	(670,987)	(115,527)
Statement of Cash Flows			
Operating activities	$ 2,207,142	$ (945,549)	$ (1,111,057)
Financing activities	(1,757,440)	(509,612)	(137,100)
Investing activities	894,517	(15,716)	180,482

11. Share Capital

Authorized share capital consists of an unlimited number of common shares without nominal or par value and 21 million Series 1 non-voting preferred shares, convertible into common shares on a 1:1 basis.

During the periods, the following changes occurred in outstanding shares:

	Number of shares	Amount
Common shares		
Balance at November 30, 1997		
and 1998	4,021,553	$17,221,262
Shares issued for payment of interest	1,005,000	814,050
Balance at November 30, 1999	5,026,553	18,035,312
Shares issued for debt settlement		
(Note 1)	1,889,337	1,285,505
Shares issued to parent company		
for cash	7,348,618	5,000,000
Balance at December 31, 2000	14,264,508	$24,320,817
Preferred shares		
Balance at November 30, 1999	–	$ –
Shares issued for debt settlement		
(Note 1)	20,399,149	13,879,581
Balance at December 31, 2000	20,399,149	$ 13,879,581
Total share capital		$38,200,398

12. Stock Options and Warrants

(a) Stock options

From time to time, the Company grants incentive stock options to officers, directors and employees of the Company at market related prices.

Options to purchase 128,026 shares are outstanding at December 31, 2000 as follows:

Number Outstanding at Dec. 31, 2000	Number Exercisable at Dec. 31, 2000	Exercise price ($/share)	Expiry date
23,026	23,026	0.68	February 9, 2002
35,000	35,000	0.68	July 30, 2003
70,000	35,000	0.68	March 30, 2005
128,026	93,026		

Information regarding the Company's stock options for each of the periods is summarized as follows:

	Number of shares	Exercise price range ($/share)
Outstanding at November 30, 1997	375,316	8.38 - 25.75
Granted	200,525	3.50
Expired	(224,360)	15.61 - 25.75
Outstanding at November 30, 1998	351,481	3.50 - 24.81
Expired	(105,611)	3.50 - 24.81
Outstanding at November 30, 1999	245,870	3.50 - 12.95
Granted	205,000	0.68
Expired	(322,844)	0.68 - 12.95
Outstanding at December 31, 2000	128,026	0.68
Exercisable at December 31, 2000	93,026	0.68

During 2000, as part of the restructuring, the exercise price on all outstanding options was repriced to $0.68 per share. The weighted average exercise price of outstanding options is $0.68 per share. Subsequent to the year-end, an additional 85,000 options were terminated.

(b) Warrants

(i) During 1996, in connection with the issuance of the senior secured notes (Note 9(b(iii))), the Company issued 310,049 "F" series share purchase warrants entitling the holders to purchase 310,049 common shares of the Company at a price of $12.80 per share until June 18, 2001. Consideration of $1,062,069 was allocated to the warrants and recorded as Equity Component of Convertible Debt and Warrants in Shareholders' Equity.

During 1998, in connection with the amended loan agreement of the convertible loan (Note 9(b(iii))), 281,862 of the transferable "F" series share purchase warrants exercisable at $12.80 per share were replaced by 281,862 "F4 and F5" series share purchase warrants exercisable at $3.50 per share until June 18, 2001. The balance of the "F" series share purchase warrants remains at an exercise price of $12.80 per share. During 2000, as part of the financial restructuring plan (Note 1), all share purchase warrants were retired.

(ii) During 1998, in connection with the amended loan agreement of the convertible loan (Note 9(a)), the Company issued 96,000 "G" series share purchase warrants entitling the holder to purchase 96,000 common shares of the Company at a price of $3.50 per share until October 16, 2001. During the year, as per the restructuring plan (Note 1), the warrants were retired.

13. Income Taxes

Temporary differences and carryforwards which give rise to the following future income tax assets and liabilities as at December 31, 2000 and November 30, 1999 are as follows:

	2000	1999
Future income tax assets		
Liabilities	$ 307,000	$ 2,846,000
Tax loss carryforwards	12,567,000	18,828,000
	12,874,000	21,674,000
Future income tax liabilities		
Property, plant and equipment	609,000	740,000
Inventory and ginseng crops	13,638,000	12,144,000
Other	89,000	3,535,000
	14,336,000	16,419,000
Future income tax asset		
(liability) asset, net	(1,462,000)	5,255,000
Less: Valuation allowance	–	(5,255,000)
	$ (1,462,000)	$ –

The provision for (recovery of) income taxes has been calculated as follows:

	2000	1999	1998
Provision for income taxes (recovery) at the Canadian statutory rates of 45%	$ 3,792,176	$ (9,707,400)	$ (4,936,152)
Adjustments:			
Foreign tax rate differential	434,191	4,011,160	1,485,858
Other	160,005	(20,235)	(19,706)
Non-taxable items	(2,924,372)	–	–
Add back non-deductible items	–	2,589,694	–
Provision for income taxes (recovery)	$ 1,462,000	$ (3,126,781)	$ (3,470,000)

The Company, subject to the approval of the tax authority, has losses for tax purposes of approximately $32,403,000 available to reduce future taxable income.

14. Other Income (Loss)

Other loss of $788,232 in 2000 includes a provision of $1,012,783 taken against receivables due from co-venturers, a net gain of $454,673 upon winding up the Company's farming joint ventures, foreign exchange gains and other miscellaneous items.

15. Commitments

(a) The Company has entered into various operating leases ending in 2005. Total payments required under these leases are as follows:

2001	$ 263,419
2002	225,226
2003	196,873
2004	45,992
2005	36,722

(b) The Company is committed to agricultural land rentals for the next five years as follows:

2001	$ 755,204
2002	599,785
2003	474,665
2004	319,565
2005	109,243

(c) The Company is committed to various capital projects for 2001 totalling $1,575,777.

16. Segmented Reporting

The Company operates in one industry segment and three geographic regions. Long-lived assets comprise all assets not classified as current assets. Information by geographic region is summarized as follows:

Thirteen-month period ended December 31, 2000	*Canada*	*U.S. and Mexico*	*Far East*	*Consolidated*
Revenue – external	$ 6,932,154	$ 107,359	$ 5,181,722	$ 12,221,235
Revenue – intercompany between regions	6,442,560	–	–	
Total revenue	$ 13,374,714	$ 107,359	$ 5,181,722	
Net earnings (loss)	$ 3,502,232	$ (369,071)	$ 3,717,368	$ 6,850,529
Long-lived assets	$ 21,051,925	$ –	$ 216,627	$ 21,268,552

Year ended November 30, 1999	*Canada*	*U.S. and Mexico*	*Far East*	*Consolidated*
Revenue – external	$ 261,847	$ 1,209,305	$ 14,733,126	$ 16,204,278
Revenue – intercompany between regions	14,608,115	–	921,659	
Total revenue	$ 14,869,962	$ 1,209,305	$ 15,654,785	
Net loss	$ (9,361,509)	$ (1,439,172)	$ (7,351,363)	$ (18,152,044)
Long-lived assets	$ 26,108,111	$ 6,651	$ 323,225	$ 26,437,987

Year ended November 30, 1998	*Canada*	*U.S. and Mexico*	*Far East*	*Consolidated*
Revenue – external	$ 116,826	$ 3,270,766	$ 13,906,783	$ 17,294,375
Revenue – intercompany between regions	14,996,085	299,664	$ 1,308,267	
Total revenue	$ 15,112,911	$ 3,570,430	$ 15,215,050	
Net earnings (loss)	$ (4,570,844)	$ 431,019	$ (3,277,145)	$ (7,416,970)
Long-lived assets	$ 32,691,340	$ 34,484	$ 398,644	$ 33,124,468

17. Other Information

(a) *Net earnings (loss) after items not affecting cash*

	2000	1999	1998
Net earnings (loss)	$ 6,850,529	$ (18,152,044)	$ (7,416,970)
Items not affecting cash:			
Depreciation and amortization	206,837	1,028,899	825,473
Gain on disposal of capital assets, net	(6,857)	(81,732)	–
Cost of ginseng crops harvested	11,218,585	15,028,095	15,523,601
Gain on debt forgiveness (Note 1)	(15,145,126)	–	–
Gain on joint venture wind-up	(454,673)	–	–
Provision on impairment of investment	–	3,372,413	3,372,413
Provision on impairment of assets of joint venture	1,012,783	938,308	–
Future income taxes (Note 13)	1,462,000	(3,126,781)	(3,470,000)
Interest expense settled by issue of shares	–	814,050	–
Deferred gain	–	(665,000)	50,400
Non-controlling interests	–	–	(74,008)
	$ 5,144,078	$ (843,792)	$ 8,810,909

(b) *Changes in non-cash operating assets and liabilities*

	2000	1999	1998
Accounts receivable	$ 112,810	$ 980,017	$ 689,273
Inventory	156,552	4,612,499	(338,396)
Ginseng crops	(2,162,064)	1,070,343	(4,931,566)
Prepaid and other assets	(822,034)	370,556	19,475
Accounts payable and accrued liabilities	(471,127)	4,421,624	(1,131,401)
	$ (3,185,863)	$ 11,455,039	$ (5,692,615)

(c) *Other Cash Flows*

	2000	1999	1998
Interest paid	$ 193,107	$ 1,125,238	$ 2,706,856

(d) *Non-cash investing and financing transactions*

	2000	1999	1998
Common shares issued for debt settlement	$ 1,285,505	$ –	$ –
Preferred shares issued for debt settlement	13,879,581	–	–
Settlement of term debt	25,016,306	–	–
Settlement of accounts payable and accrued liabilities	5,293,906	–	–

18. Financial Instruments

(a) Credit Risk

The Company is exposed to credit risk on accounts receivable from customers. A majority of its sales are made to a small number of customers that are concentrated in Asian markets. To manage its credit risk, the Company carefully monitors credit terms, investigates credit history and only grants credit to customers with established relationships or acceptable credit rating. Letters of credit may be used, or inventory may be held as security until payment is received when such relationships have not been established.

(b) Exchange Risk

The Company is exposed to currency exchange risk as a result of its international markets and operations. To manage its exchange risk, the company finances in local currencies and conducts business through self sustaining foreign operations. The Company may hedge its U.S. dollar exposure by purchasing forward exchange contracts to cover net receipts.

(c) Estimated fair value of Financial Instruments which differ from carrying value are:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (Note 9)				
Covertible loan	$ –	$ –	$ 6,398,844	$ 6,398,844
Debentures and notes payable	2,630,000	2,630,000	21,798,547	19,951,738
Mortgage payable	868,590	868,590	–	–
Capital leases	188,352	188,352	245,085	245,085
	$ 3,686,942	$ 3,686,942	$ 28,442,476	$ 26,595,667

SIX-YEAR SUMMARY OF OPERATING RESULTS

Financial Results

(Stated in Thousands of Canadian Dollars Except Acres and Per Share Amounts)

	Thirteen Month Period Ended Dec. 31	*Year Ended November 30*				
	2000	1999	1998	1997	1996	1995
Revenue	$ 12,221	$ 16,204	$ 17,294	$ 9,053	$ 34,430	$ 25,878
Gross Profit	758	50	1,175	851	15,989	13,374
Pre-tax Earnings	8,312	(21,279)	(10,887)	(15,339)	9,163	8,123
Net Earnings	6,850	(18,152)	(7,417)	(10,636)	6,104	5,023
Basic Earnings per Share	0.65	(4.09)	(1.84)	(2.64)	1.53	1.32
Stock Dividends Paid Per Share	–	–	–	2.50%	2.50%	–
Ginseng Crops	$ 20,916	$ 19,351	$ 25,280	$ 27,145	$ 25,455	$ 24,229
Total Assets	44,410	46,710	64,610	74,234	84,965	69,926
Shareholders' Equity	30,206	3,420	21,232	28,358	38,513	29,758
Return on Average Equity	40.7%	N/A	N/A	N/A	17.9%	18.6%
Acres Under Cultivation	1343	1415	1469	1455	1470	1410

CORPORATE INFORMATION

DIRECTORS
As at December 31, 2000
William Zen (Chairman)

Dr. Donald Rix
(resigned December 31, 2000)

Mike Harcourt
(resigned January 18, 2001)

Dr. Dennis Awang
(resigned February 1, 2001)

Dr. Kam Wong*

Anita Wong*

Yuk Bing Ko

Raymond Chui

Dr. Man-chui Yang*
(effective January 29, 2001)

OFFICERS
William Zen
Chairman and
Chief Executive Officer

Wilman Wong
Chief Financial Officer/
Corporate Secretary

** Audit Committee Members*

STOCK LISTING
The Toronto Stock Exchange
NASDAQ Over-the Counter
Bulletin Board (OTCBB)

TRADING SYMBOL
"CC" – TSE
"CCCFF" – OTCBB

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